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ORAB

CONTENTS

- OR* 1. USSR PROPOSES EXTENSION OF NUCLEAR-FREE ZONE IN EUROPE (Confidential) (page 3).
- OR* 2. POLES PLAN CAMPAIGN FOR RAPACKI PLAN IN WEST GERMANY (Secret Nofoin) (page 4).
- OR* 3. SOVIET ARMY POLITICAL CHIEF REPLACED (Secret) (page 5).
- OR* 4. NEW CHIEF OF STATE IN RUMANIA (Confidential) (page 6).
- OR* 
- OR* 6. INDONESIAN COMMUNIST TACTICS (Confidential Nofoin) (page 8):
- no* 7. PROBABLE RIGHTIST-LEFTIST MERGER INCREASES LIKELIHOOD OF VIOLENCE IN GUATEMALA (Secret) (page 9).
- OR* 8. THE VENEZUELAN SITUATION (Secret) (page 10).
- OR* 9. HAITIAN STABILITY THREATENED (Secret) (page 11).
Except last sentence #1.
- OR* 10. PRESIDENT RHEE TO REJECT US-PROPOSED SOUTH KOREAN ARMED FORCES REDUCTION (Secret Nofoin) (page 12).

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1. **USSR PROPOSES EXTENSION OF NUCLEAR-FREE
ZONE IN EUROPE**

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The Soviet Union has stepped up its diplomatic efforts against the NATO agreement in principle to establish guided missile bases in Western Europe.

The Rapacki plan originally proposed banning nuclear weapons in both Germanies, Poland, and Czechoslovakia. Premier Bulganin's letters to the premiers of Norway and Denmark on 10 January call for the addition of Scandinavia and Finland to the "nuclear-free zone," and the prohibition in the zone of "all types of rocket weapons" as well. On 11 January, Foreign Minister Gromyko suggested to an Italian "Peace Partisan" delegation visiting Moscow that Italy and apparently Albania be added to the zone.

Bulganin's expression of satisfaction with the refusal of Norway and Denmark to allow no nuclear weapons and missiles on their territories and his proposal to include northern Europe in the Rapacki Plan reflect the Soviet leaders' belief that they can take advantage of the strong neutralist sentiments in these countries to detach them, in effect, from full military participation in NATO. Moscow is probably also concerned with indications that Sweden may soon initiate production of atomic weapons.

The Bulganin letters term a new heads-of-government meeting the "most expedient" means of resolving East-West differences and berate Western skepticism over Soviet motives, stating that the 6 January announcement of a Soviet armed forces cut constitutes a "manifestation of good intentions" over reduction of international tensions.
(CONFIDENTIAL)

2. POLES PLAN CAMPAIGN FOR RAPACKI PLAN IN WEST GERMANY



Senior Polish officials and Polish journalists stationed in West Berlin and the Federal Republic met on 11 January to discuss the manner in which the Rapacki plan for a nuclear-free zone in Central Europe can be promoted in influential circles in West Germany. The meeting, in West Berlin, also examined ways of influencing West German public opinion during the coming months in favor of expanded diplomatic and cultural ties and increased trade between the two countries.

The Poles now may feel that the climate of public and official opinion in the Federal Republic is swinging toward improved relations with Poland. They have probably been encouraged by reports that the Rapacki plan struck a responsive chord among some West German political figures. Poland is interested in establishing full diplomatic relations with West Germany, but Bonn fears such a step would imply acceptance of the Oder-Neisse line.
(NOFORN)

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3. SOVIET ARMY POLITICAL CHIEF REPLACED

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Colonel General A. S. Zheltov has apparently been relieved as chief of the main political administration of the Soviet armed forces, a position equivalent to a chief of a department of the party central committee. According to the 10 January issue of Pravda, the post is now held by Colonel F. I. Golikov, former commander of the Armored Forces Academy.

Several reports at the time of the ouster of Zhukov alleged that his relations with Zheltov were strained over the problem of political indoctrination and training in the armed forces. Since that time, however, there have been indications that the political training is still insufficient, and this may account for Zheltov's removal. No new position has been announced for Zheltov, who had held the political administration job since 1953.

Golikov, a specialist in mechanized warfare, has held staff, field, and diplomatic posts. He has no discernible connections with any members of the top party leadership, and his assignment to a political post does not appear consistent with his purely military background. (SECRET)

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4. NEW CHIEF OF STATE IN RUMANIA

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An extraordinary session of the Grand National Assembly on 11 January selected Ion Gheorghe Maurer to succeed the deceased Petru Groza as chairman of its presidium--titular chief of state. A lawyer, economist, and experienced diplomat, Maurer is probably one of the ablest men in the Rumanian regime. His election was probably designed, at least in part, for its effect on the diplomatic community in Bucharest, which holds Maurer in relatively high esteem.

Although he has long been considered a close associate of party First Secretary Gheorghiu-Dej, Maurer's appointment as foreign minister in July 1957 marked his emergence from comparative political obscurity. In his conversations with Western diplomats in Bucharest--particularly the former American minister--Maurer has shown interest in increasing trade with the United States and understanding that domestic concessions would be necessary to improve Rumanian-American relations. He has been relieved of his duties in the Foreign Ministry. (CONFIDENTIAL)

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6. INDONESIAN COMMUNIST TACTICS

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The Indonesian Communist party (PKI) appears content at this time to continue posing as the government's champion and to exploit opportunities created by the government's anti-Dutch drive. PKI satisfaction with current trends is indicated by numerous reports, including one which states that the party believes that, although the time is not yet ripe to assume leadership, the confiscation of Dutch firms is a significant advance in the process of making Indonesia a socialist country.

Two Indonesian newspapers have reported that secret PKI instructions had criticized the army for preventing strikes and further seizures of businesses by the workers and had urged Communists to infiltrate key government positions. The PKI plans to sue the more anti-Communist of these newspapers over the charges, which the American Embassy believes could be bona fide.

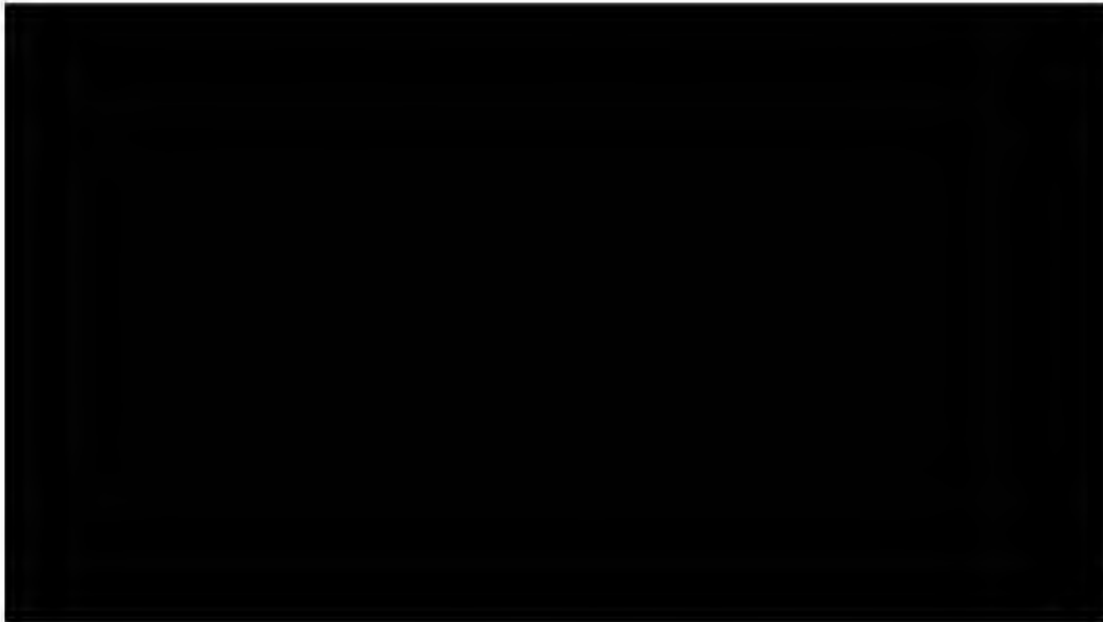
The Communist-influenced Djakarta town military command is conducting a series of raids with the announced intention of seeking out "illegal arms caches and suspected terrorists." Accompanying arrests could well develop into a roundup of the more important non-Communist leaders there. Several anti-Communist newspaper editors have already been taken into custody for "questioning." It is likely that the raids will further enhance the Communists' position by reducing opposition potential. (NOFORN)

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**7. PROBABLE RIGHTIST-LEFTIST MERGER INCREASES
LIKELIHOOD OF VIOLENCE IN GUATEMALA**



Bloodshed appears inevitable, with the most likely time immediately after the elections. If center presidential candidate Cruz Salazar wins, Ydigoras and the PR are practically certain to charge fraud and resort to mob violence to upset the election results, as they did last October. Ydigoras has publicly declared that "civil war" would follow any attempt to "steal" the election from him.

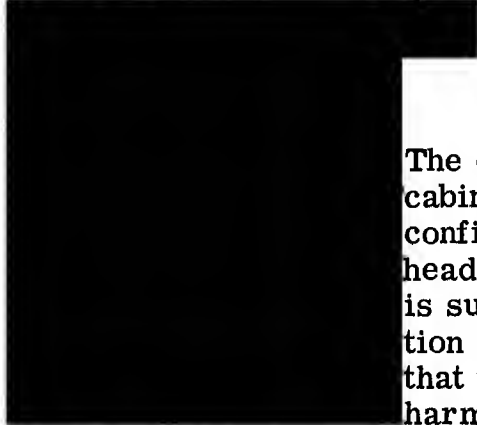
his supporters are being told to converge on the capital after the elections. On the other hand, if Ydigoras wins the PR support, the army may attempt to keep him from assuming power. Such an attempt would be certain to result in bloodshed.

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8. THE VENEZUELAN SITUATION



The composition of the new Venezuelan cabinet formed on 10 January tends to confirm that President Perez is a figure-head of the military and that his tenure is subject to their will. At the inauguration of the new cabinet, Perez admitted that the changes were made to achieve harmony among the armed forces and

were in agreement with their wishes. Ousted National Security Chief Estrada and Interior Minister Vallenilla, the strongest civilian supporters of the Perez dictatorship, who were both resented by the officer class, have left the country, and two key officers, arrested for implication in the 1-2 January revolt, have been released.

The military now control key posts in the new cabinet, which is in part a shuffling or retention of former incumbents. The new minister of the interior, General Llovera, was a member of the junta which governed from 1948-1952, and may be inimical to Perez. General Fernandez, new defense minister and apparently still armed forces chief of staff, fell into disfavor with Perez in 1956 because of his alleged presidential ambitions. The air force and naval commanders have also assumed important positions in the government.

The military, however, may be forced to make some concessions to the heretofore passive civilian opposition in order to avoid violence, as indicated by the 10 January demonstration in Caracas against the dictatorship. Former President Betancourt, exiled leader of the outlawed Democratic Action, has claimed that the three principal opposition factions have agreed to unite against Perez. These parties apparently conducted some negotiations to co-ordinate their efforts in opposition to Perez' re-election last December.

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9. HAITIAN STABILITY THREATENED

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The stability of Haitian President Duvalier's two-month-old government is threatened with an early resumption of the riots and coup attempts which obtained throughout most of 1957. A marked rise last week in the size and activity of Duvalier's recently organized palace

police evidently is causing apprehension in the army under Brigadier General Kebreau, to whom the President has previously been subservient. There are increasing indications that Kebreau is considering assumption of the presidency, possibly with a military junta. Blame for any resulting violence might be diverted to opposition groups who object to Kebreau's power and have tried to cause a split between the army and Duvalier.

Duvalier's popularity has declined considerably since his inauguration. His failure to implement his campaign promises, particularly those regarding economic recovery, has disappointed even some of his own followers. His failure to establish a coalition government, his sweeping implementation of the spoils system, and the arbitrary arrests and mistreatment of opposition partisans have encouraged numerous antigovernment plots. Kebreau, however, is probably aware that an army coup, even if successful, would probably be opposed by all political groups and could not establish stability.

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10. **PRESIDENT RHEE TO REJECT US-PROPOSED SOUTH
KOREAN ARMED FORCES REDUCTION**

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The South Korean defense minister, the chairman of the Joint Chiefs of Staff, and the army chief of staff are all firmly supporting President Rhee in seeking to limit

reduction of the authorized strength of the armed forces to a 60,000-man cut.

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the President will not agree to a 100,000-man reduction proposed by the US. The UN Commander, General Decker, expects Rhee to exert strong pressure on the US to back his stand.

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Although outwardly courteous and friendly toward American officials conducting the negotiations, Rhee is said to be quite angry over US "discourteousness" in setting forth the higher figure after he had decided to accept what he considered an earlier proposal for a 60,000-man reduction.

Actually, Rhee's "acceptance" was contained in a counterproposal which would primarily have eliminated many unfilled table-of-organization slots, without any significant reduction in actual strength. The US has argued that only a 100,000-man reduction in authorized strength, now set at 720,000, or a 60,000-man reduction in actual strength will suffice to meet reduced American military assistance funds.

Rhee hopes to block any reduction until at least some of his forces receive weapons adaptable for nuclear warfare. (NOFORN)

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